

Orange County Economic Forecast

The Orange County economy has come into its own from the shadows of Los Angeles and San Diego, with a unique technological and business infrastructure. This is demonstrated by the diversity of industries represented--from medical devices to construction--as well as the intellectual resources to support this diversity. Yet despite the growth in the region, other issues and concerns have arisen in this post-suburban, post-dotcom era that could affect the region's success as a technology center.

Economic growth slowed significantly in 2002, and the unemployment rate rose to 4.1 percent (high by relative standards for Orange County). The fatigue that the county economy is currently showing has manifested in the following:

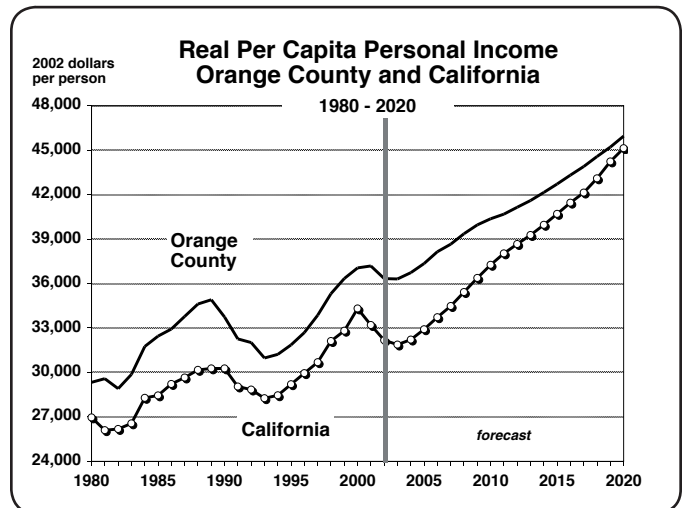
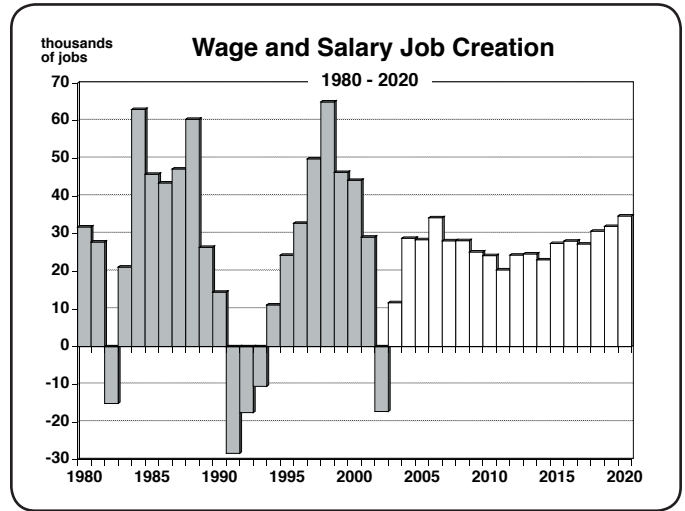
- The number of jobs is declining.
- Weekly earnings for factory workers are dropping faster than in neighboring regions.
- Bankruptcy filings are increasing.
- The rate of growth in home sales is slowing and may flatten after rising at a torrid pace for much of 2002.
- Technology and tourism have been affected by the weaker California economy more than adjacent counties, such as San Diego and the Inland Empire.
- The Angels and Disneyland have not been able to boost the economy enough.

Like Los Angeles in previous recessions, Orange County is now seeing high-paying manufacturing jobs relocating to neighboring regions such as the Inland Empire and to other states. This process is exacerbated by the county's high home prices. Low production levels of housing in the county like other coastal California Counties has elevated values, making affordability a major problem for workers.

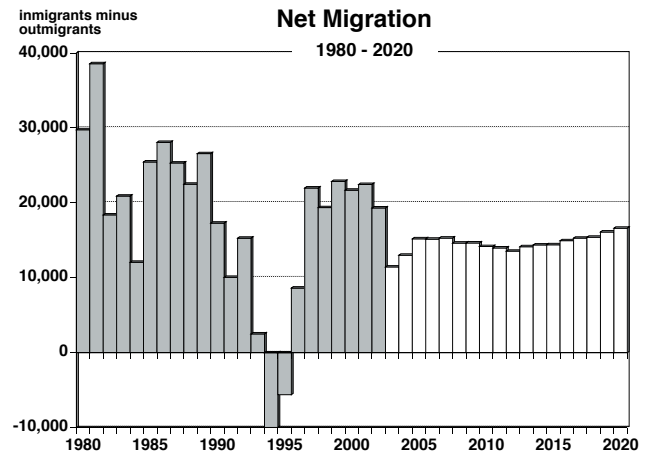
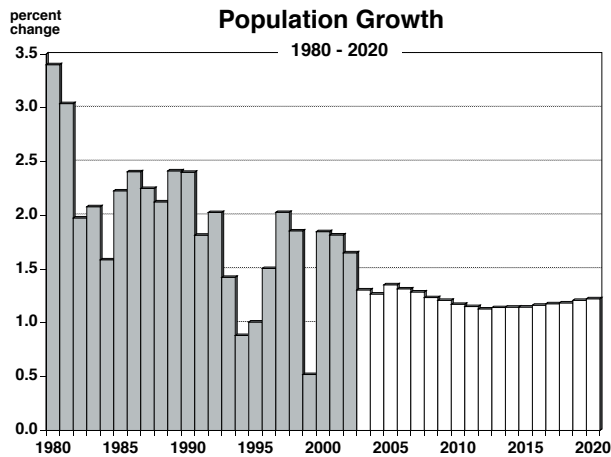
The forecast does include faster economic growth in 2004, but job growth and the production of housing remain contained.

Forecast Highlights

- The unemployment rate begins to decline in 2004, averaging 3.7 percent.



- Non-farm employment growth averaged 2.6 percent per year from 1997 to 2002. Between 2003 and 2008, non-farm job growth is forecast to average 2.0 percent per year. Slower average growth of 1.3 percent per year is forecast beyond 2010.
- Average salaries, adjusted for inflation, rise 2.1 percent per year over the next 5 years. This rate of growth is higher than the 1.6 percent average that characterized the 1997 to 2002 period. Higher salaries are the result of the competitive advantage that existing residents, many of whom own homes, will have over new entrants into the local labor market who must find housing either for sale or for rent.



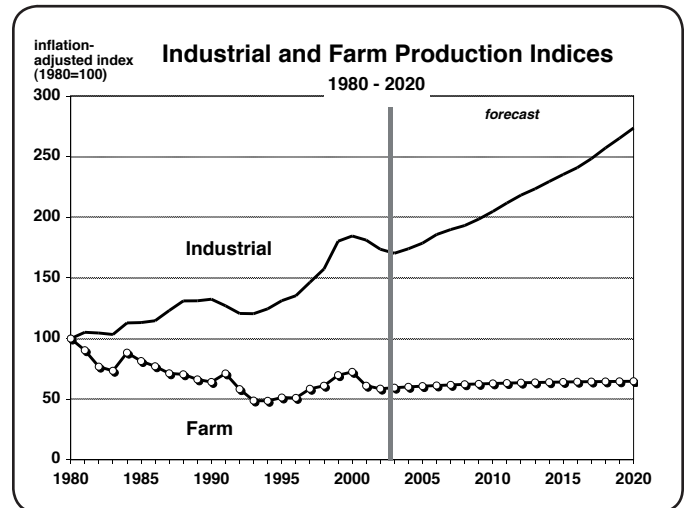
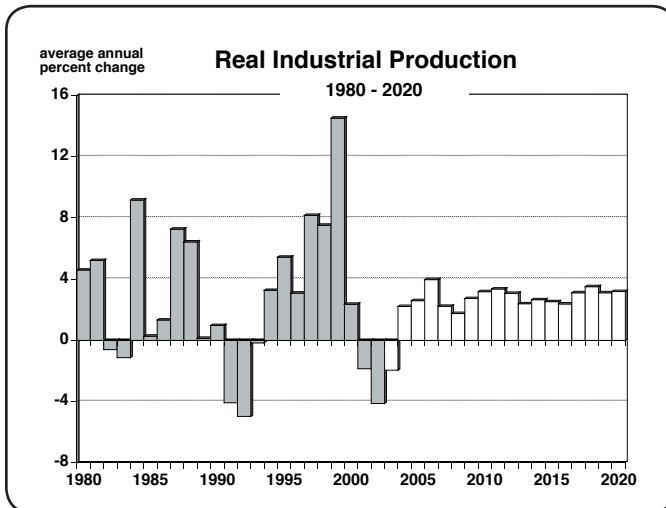
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1995-2002 History, 2003-2020 Forecast

	July Population (people)	Net Migration (people)	Registered Vehicles (thousands)	Households (thousands)	New Homes Permitted (homes)	Retail Sales (billions)	Personal Income (billions)	Real Per Capita Income (dollars)	Farm Crop Value (millions)	Industrial Production (billions)
1995	2,643,300	-5,597	2,016	865	8,300	\$18.3	\$71.5	\$31,863	\$234	\$24.5
1996	2,683,100	8,641	2,060	875	10,207	\$19.5	\$75.7	\$32,693	\$237	\$25.2
1997	2,737,500	21,990	1,984	883	12,251	\$21.0	\$81.4	\$33,867	\$276	\$27.3
1998	2,788,300	19,373	2,118	893	10,101	\$22.5	\$87.7	\$35,316	\$292	\$29.3
1999	2,802,800	22,870	2,161	901	12,348	\$24.8	\$92.8	\$36,338	\$342	\$33.6
2000	2,854,600	21,704	2,245	933	12,367	\$27.5	\$99.6	\$37,056	\$366	\$34.4
2001	2,906,500	22,462	2,309	942	8,647	\$28.5	\$105.2	\$37,186	\$319	\$33.8
2002	2,954,500	19,335	2,335	952	11,815	\$29.1	\$107.3	\$36,331	\$315	\$32.4
2003	2,993,117	11,457	2,358	962	12,250	\$29.5	\$111.1	\$36,309	\$327	\$31.7
2004	3,031,088	13,024	2,373	971	10,670	\$30.9	\$116.7	\$36,731	\$339	\$32.4
2005	3,072,137	15,216	2,403	981	10,321	\$32.4	\$123.2	\$37,351	\$350	\$33.3
2006	3,112,584	15,160	2,426	990	10,330	\$34.1	\$130.6	\$38,146	\$362	\$34.6
2007	3,152,664	15,311	2,453	1,000	10,262	\$35.7	\$137.1	\$38,651	\$373	\$35.4
2008	3,191,602	14,640	2,483	1,009	10,192	\$37.4	\$144.5	\$39,358	\$385	\$36.0
2009	3,230,201	14,661	2,511	1,019	9,852	\$38.9	\$151.9	\$39,957	\$396	\$37.0
2010	3,268,085	14,183	2,534	1,027	9,662	\$40.6	\$159.1	\$40,368	\$408	\$38.2
2011	3,305,727	13,999	2,555	1,036	9,392	\$42.1	\$166.2	\$40,678	\$420	\$39.5
2012	3,343,077	13,561	2,579	1,045	9,587	\$44.0	\$174.4	\$41,147	\$433	\$40.7
2013	3,381,272	14,157	2,603	1,054	9,583	\$46.0	\$183.0	\$41,601	\$446	\$41.7
2014	3,420,046	14,392	2,628	1,062	9,501	\$48.0	\$192.1	\$42,151	\$458	\$42.8
2015	3,459,287	14,419	2,654	1,071	9,671	\$50.3	\$201.7	\$42,716	\$470	\$43.8
2016	3,499,570	14,959	2,679	1,080	9,684	\$52.7	\$212.0	\$43,313	\$483	\$44.9
2017	3,540,803	15,301	2,705	1,089	9,591	\$55.3	\$223.1	\$43,901	\$497	\$46.3
2018	3,582,803	15,420	2,732	1,097	9,741	\$58.1	\$235.0	\$44,574	\$511	\$47.9
2019	3,626,147	16,119	2,758	1,106	9,726	\$60.9	\$247.1	\$45,212	\$524	\$49.4
2020	3,670,544	16,620	2,786	1,115	9,795	\$64.0	\$260.0	\$45,949	\$537	\$51.0

- Income in general is likely to rise faster in Orange County than in neighboring Los Angeles County because the population is more affluent and the economic mix is slanted toward the higher paying biotechnology

and professional services jobs. Real per capita incomes rise 1.7 percent per year between 2003 and 2008. The growth of per capita income averages 1.3 percent per year between 2010 and 2020.



Total Wage & Salary (000)	Farm (000)	Construction (000)	Mining (000)	Manufacturing (000)	Transportation, Utilities (000)	Wholesale, Retail Trade (000)	Finance, Real Estate (000)	Services (000)	Government (000)
					employment (jobs)				
1,158	6.3	49.8	0.9	205.5	42.4	291.6	84.9	348.6	128.2
1,191	6.7	52.5	0.9	211.2	42.8	298.6	86.9	361.7	129.7
1,241	6.9	58.1	0.9	222.4	44.4	309.9	92.9	372.7	132.7
1,306	6.6	65.5	0.9	231.7	46.3	322.5	100.4	395.6	136.4
1,352	7.0	73.8	0.7	229.4	48.6	331.5	104.2	415.9	141.1
1,396	7.6	77.6	0.6	230.5	50.9	339.7	105.8	437.1	146.6
1,426	7.1	80.4	0.6	225.2	52.3	348.9	111.8	448.3	150.9
1,408	5.2	83.0	0.7	212.2	50.6	345.0	114.6	443.0	154.0
1,420	5.5	82.4	0.7	203.5	49.3	353.9	115.4	456.6	152.6
1,449	5.7	84.0	0.7	201.7	50.2	362.9	117.0	471.7	154.8
1,477	5.9	85.2	0.8	200.0	51.0	372.0	119.4	484.5	158.3
1,512	6.1	86.9	0.8	201.3	52.8	381.7	122.0	497.0	163.0
1,540	6.2	87.8	0.8	199.4	54.1	391.4	124.4	507.2	168.2
1,568	6.3	88.2	0.8	197.5	55.3	401.4	126.8	518.8	172.6
1,593	6.4	88.4	0.8	196.8	56.7	411.2	129.2	527.0	176.5
1,617	6.5	88.6	0.8	197.2	58.2	420.6	131.2	534.2	179.9
1,638	6.5	88.9	0.8	197.7	59.8	429.6	133.0	538.4	183.0
1,662	6.6	89.1	0.8	198.0	61.0	438.5	134.9	547.6	185.5
1,687	6.6	89.3	0.8	198.4	62.0	447.6	136.9	556.2	188.9
1,710	6.6	89.6	0.8	198.3	62.9	456.7	139.1	563.9	191.7
1,737	6.7	90.0	0.8	199.1	64.0	466.3	141.3	574.6	194.3
1,765	6.7	90.4	0.8	199.9	65.1	476.4	143.6	585.4	196.8
1,792	6.7	90.8	0.7	200.8	66.3	486.7	146.1	594.9	199.4
1,823	6.7	91.4	0.7	201.3	67.7	497.7	148.6	606.9	202.0
1,855	6.7	91.7	0.7	201.9	69.4	509.3	151.3	619.4	204.7
1,890	6.7	91.9	0.7	202.9	70.7	521.6	154.2	633.6	207.6

- Home prices are forecast to cool off. The forecast rate of inflation-adjusted appreciation is 2.8 percent per year. This rate of appreciation is a major deceleration from the 8.7 percent per year that prevailed between 1997 and 2002.

